1998 BUDGET FORECAST SCENARIOS

SERIES OF EVENTS

1998 OB

Pricing Assumptions - October Resolution

	List Price Incr	Margin	Net Retail Incr	
1/26/98	$ 1.25	0%	$ 0.025	
4/6/98	$ 2.00	25%	$ 0.053	
10/1/98	$ 18.50	12%	$ 0.420	
	$ 21.75		$ 0.498	per pack

1997 Weighted Avg Retail Price	$	1.890
2.5% CPI Adjusted	$	1.937
1998 Weighted Avg Retail Price incl SET	$	2.158
% Δ in Price		11.4%
-0.5 Elasticity		-5.70%
1997 FY Industry Takeaway		471.0
1998 FY Industry Takeaway		444.2
Inventory Δ		(7.0)
1998 Industry Shipment Volume		**437.2**
1998 PM-USA Shipment Volume		**219.1**
1998 PM-USA Shipment Share		**50.1%**

(Prior to 1997 Restatement)

2071886445

Source: https://www.industrydocuments.ucsf.edu/docs/hlkn0004

1998 OB

Pricing Assumptions - No October Resolution

	List Price Incr	Margin	Net Retail Incr	
1/26/98	$ 1.25	0%	$ 0.025	
4/6/98	$ 2.50	20%	$ 0.063	
	$ 3.75		$ 0.088	per pack

1997 Weighted Avg Retail Price	$	1.890
No CPI Adjustment	$	1.890
1998 Weighted Avg Retail Price incl SET	$	2.064
% Δ in Price		9.2%
-0.4 Elasticity		-3.7%
1997 FY Industry Takeaway		471.0
1998 FY Industry Takeaway		453.6
No Inventory Δ		0.0
1998 Industry Shipment Volume		**453.6**
1998 PM-USA Shipment Volume		**227.4**
1998 PM-USA Shipment Share		**50.1%**

(Prior to 1997 Restatement)

2071886446

Source: https://www.industrydocuments.ucsf.edu/docs/hlkn0004

1998 1RF

Pre-1RF (Based on OB w/ Oct Res)

PM-USA	219.1
Industry	437.2
PM Share	50.1%

POST RESTATEMENT

97 PM Share	48.7%
98 Share Growth	1.2pp
98 rev PM Share	49.9%

1RF Volume

PM-USA	**219.1**
Industry	**439.3**
PM Share	**49.9%**

2071886447

Source: https://www.industrydocuments.ucsf.edu/docs/hlkn0004

Pre 2RF 4/14/98

October Res (Based on 1RF)

PM-USA	219.1
Industry	439.3
PM Share	49.9%

Add 1.0 billion for Marlboro Ultra Lights/ Keep PM's Share constant

PM-USA	**220.1**
Industry	**441.3**
PM Share	**49.9%**

NO 1998 Res (Based on OB No Res)

PM-USA	227.4
Industry	453.6
PM Share	50.1% (prior to restatement)

Add 1.0 billion for Marlboro Ultra Lights/ Keep PM's Share constant

PM-USA	**228.5** (rounding)
Industry	**457.9**
PM Share	**49.9%** (rev PM Share)

2071886448

Source: https://www.industrydocuments.ucsf.edu/docs/hlkn0004

1998 BUDGET FORECAST SCENARIOS

EFFECT OF MAY 11 ($2.50/M) PRICING

Weighted Avg Retail Price (End of April)	$	1.99
Retail price Δ for May Price	$	0.07
	$	2.06
% Δ in Price		3.5%
X Elasticity of -0.4		-1.4%
Impact on balance of year (@38.8 weeks)		-1.0%
Industry Takeaway (based on 4/14 no res scenario)		458.0
Impact on Industry volume for balance of year		**-4.8**
Impact on PM-USA volume for balance of year		**-2.4**

2071886449

Source: https://www.industrydocuments.ucsf.edu/docs/hlkn0004

Pre 2RF 5/28/98 Latest Estimate

OCTOBER RES

PRE 2RF	220.1
Inv Δ	0.0
May Price	(2.4)
	217.8

No 1998 RES

PRE 2RF	228.5
Inv Δ	(3.1)
May Price	(2.4)
	223.0

2071886450

Source: https://www.industrydocuments.ucsf.edu/docs/hlkn0004